

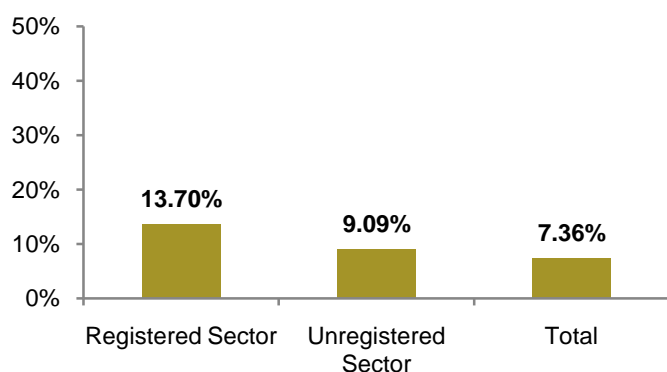
## Women Entrepreneurship in India

The policy brief addresses the constraints faced by women entrepreneurs in starting and growing their enterprises. Gender-specific policy initiatives to promote women-owned businesses have also been listed out.

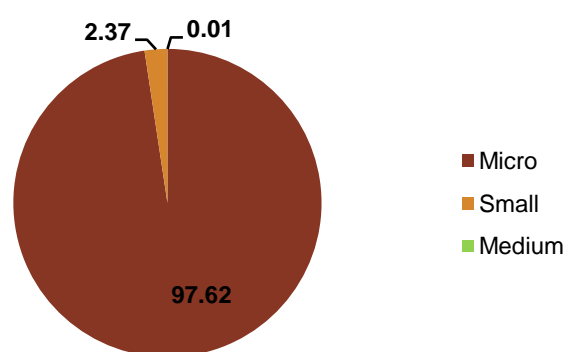
There are nearly three million micro, small, and medium enterprises (MSME) with full or partial female ownership. Collectively, these women-owned enterprises contribute 3.09 percent of industrial output and employ over 8 million people. However, globally men and women are not on a level playing field when it comes to access to resources.

Women-owned businesses face barriers to entry and business growth that include access to education and training, legal and cultural barriers and infrastructure-related challenges. Access to finance is typically identified as a critical constraint. While financing is almost always a challenge for MSMEs, the difficulties are often intensified by gender-related factors, including women's lack of collateral, weak property rights and discriminatory regulations, laws and customs. In India, as per the 4<sup>th</sup> MSME Census, women enterprises, which work predominantly in the service sector, constitute a total of 7.36% of the MSME sector. The diagrams below show how majority of women-owned MSMEs, across both registered and unregistered sector, are classified as micro enterprises.

**Percentage of Women MSMEs**



**Classification of Women-owned MSMEs**



A state-wise analysis shows us that Meghalaya (33.76%) and Mizoram (33.8%) have the highest percentage of women-owned enterprises, in rural and urban areas respectively. However, in several states such as Haryana and Uttar Pradesh, less than 5% of enterprises are owned by women

### Barriers to Women entrepreneurship

While female-run enterprises contribute to household incomes and growth of the national economy, women entrepreneurs continue to face obstacles to the entry and growth of their businesses. Outlined below are a few major issues.

a) **Access to Finance:** On average, women have less access to basic banking services such as checking and saving accounts. As a result, many female entrepreneurs rely on their own savings, loans from family and friends, or micro-loans to finance their business needs. Though, the small size and short-term nature of micro-loans do not allow women borrowers to make long-term investments in their businesses.

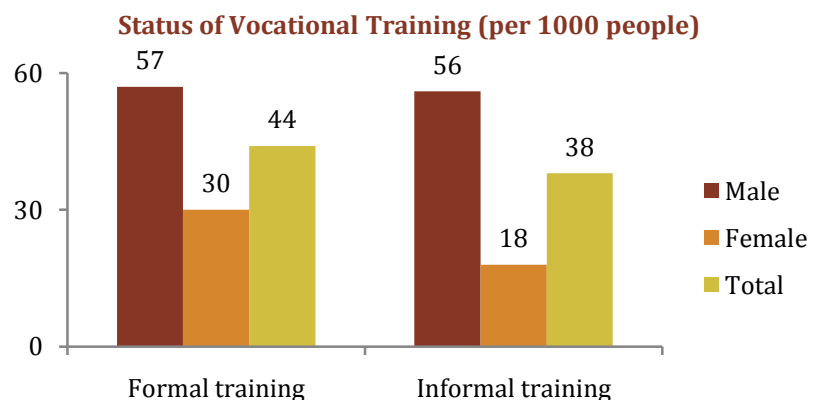
The total finance requirement of women-owned MSMEs in 2012 was around Indian rupees 8.68 trillion (\$158 billion). The total supply of formal finance to women-owned MSMEs in 2012 was around Indian rupees 2.31 trillion (\$42 billion). *This resulted in a finance gap of Indian rupees 6.37 trillion (\$116 billion), or 73% of total demand.* This credit supply originated from various types of financial institutions such as public sector banks, non-banking financial corporations, and self-help group-bank linkage programs. A breakdown of types of institutions financing women-owned MSMEs is as follows:

Source	Financing Supply Share (percent)
Public sector banks through micro credit	30
Public sector banks to small scale industries	38
Private sector banks	19
Foreign banks	5
Swarna Jayanti Gram Swarozgar Yojana	4
Prime Minister's Rozgar Yojana	2
Swarna Jayanti Shahari Rozgar Yojana	1

b) **Informal Sector:** Women entrepreneurship is largely skewed towards smaller firms and approximately 90% of these are in the informal sector. Female ownership and employment also tend to be concentrated in less profitable and more competitive sectors such as food, garments and retail, while male ownership and employment tend to be in more profitable sectors such as materials and construction

c) **Access to Markets and Networks:** The ability to tap into new markets requires expertise, knowledge and contacts. Women entrepreneurs often lack access to training and experience and are unable to market the goods and services effectively. Since majority of women entrepreneurs function on a small scale, they also lack access to sufficient market information about prices, inputs and competitors, as well as support services they can leverage.

d) **Skill gap:** Women often lack the combination of education, vocational and technical skills, and work experience needed to support the development of highly productive businesses. Male entrepreneurs, for example, are more likely than female entrepreneurs to have been employed in the wage sector prior to starting a business.



Women-specific solutions to these issues should tackle both supply-side issues (such as policy bias and discrimination, lack of training and misconceptions about female credit risk) and demand side issues (such as women's reluctance to enter the business or expand their work given a lack of business training and higher failure rates).

Various initiatives to expand support to MSMEs have been developed over the past few years, but only some have a gender-specific component. Given below are women-focused schemes introduced by the government to ease access to finance, skill development and mentorship for women entrepreneurs.

### **a) Trade Related Entrepreneurship Assistance and Development (TREAD) Scheme for Women**

The scheme envisages economic empowerment of women entrepreneurs through trade related training, information and counseling extension activities related to trades, products, services etc. Since such women are not able to have an easy access to credit, it will be made available to women applicants through NGOs who would be capable of handling funds in an appropriate manner. These NGOs will not only handle the disbursement of such loans needed by women but would also provide them adequate counseling, training and assistance in developing markets.

The salient features of the scheme are as follows:

#### **Credit**

- Government Grant up to 30% of the total project cost as appraised by lending institutions which would finance the remaining 70% as loan Assistance to applicant women, who have no easy access to credit from banks.
- Government Grant and the loan portion from the lending agencies to assist such women shall be routed through eligible NGOs engaged in assisting poor women through any kind of income generating activities in non farm sector.

#### **Training and Counseling**

- Training organizations viz. Micro, Small and Medium Enterprises (MSMEs), Entrepreneurship Development Institutes (EDIs), NISIET and the NGOs conducting training programmes for empowerment of women beneficiaries identified under the scheme would be provided a grant upto maximum limit of Rs. 1.00 lakh per programme provided such institutions also bring their share to the extent of minimum 25% of the Government grant.
- The batch size for such a training activity will be at least 20 participants. Duration of the training programme will be minimum one month.

#### **Eliciting Information**

- Institutions such as EDIs and MSME-DIs sponsored by State Govt. and any other suitable institution will be provided need based Government grant primarily for undertaking activities aiming at empowerment of women covered under the scheme.
- The grant shall be limited up to Rs. 5 lakh per project.

## b) Mahila Coir Yojana

Mahila Coir Yojana is a woman oriented self-employment scheme in the coir industry, which provides self-employment opportunities to the rural women artisans in regions producing coir fibre. The scheme envisages distribution of motorized ratts for spinning coir yarn to women artisans after giving training.

The salient features of the scheme are as follows:

- Women spinners are trained for two months in spinning coir yarn on motorized ratt at the Coir Board's training centres.
- A stipend of Rs. 500/- p.m. is also paid to the trainees.
- The Coir Board provides motorized ratts/ motorized traditional ratts at 75% cost subsidy, subject to a maximum ceiling of Rs. 7,500/- for motorized ratts and Rs. 2,925/- for traditional ratts.

## c) Prime Minister's Rozgar Yojana

Under the scheme , preference is given to women beneficiaries. While communicating the targets under the Scheme to the States/ Union Territories and Reserve Bank of India (RBI), standing instructions are issued for ensuring that the number of women beneficiaries under PMRY should not be less than 30%. Furthermore, in order to facilitate participation of women beneficiaries under this scheme, the following relaxations are being provided:

- **Age Relaxation** - the upper limit for women applicants is 45 years, as against 35 years for general category applicants.
- **Relaxation in residency criteria for married women** - the residency criterion of last three years is applicable for spouse/in-laws in case of married women applicants

In addition, certain government schemes for MSMEs provide special incentives and concessions for women entrepreneurs. For example, under the **MSE Cluster Development Programme** by Ministry of MSME, the contribution from the Ministry of MSME varies between 30-80% of the total project in case of hard intervention, but in the case of clusters owned and managed by women entrepreneurs, contribution of the M/o MSME could be upto 90% of the project cost. Similarly, under the **Credit Guarantee Fund Scheme for Micro and Small Enterprises**, the guarantee cover is generally available up to 75% of the loans extended; however the extent of guarantee cover is 80% for MSEs operated and/ or owned by women.

While an entrepreneur friendly policy ecosystem is the need of the hour, there is also a pressing need to make it more gender-inclusive. The right blend of suitable policies, empowering ecosystem, provision of infrastructure, access to finance and incubation are required to energize women-owned business and reduce the gap between men and women.